



## SIGNIFICANCE OF KUDUMBASREE MISSION IN KERALA AS A MICROFINANCE PROGRAMME- A STUDY WITH REFERENCE TO HIGHRANGE DISTRICT OF KERALA STATE

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### **Abstract**

*The very existence of an Informal Bank brings about the homogeneity and affinity among members of the poor. Thrift savings of the members serve as the main bondage among members. The bank promotes regularity in savings and assures sufficient frequency for group meetings. The informal banks will instill collective decision-making capability among the poor women. This sublime quality will be of great assistance to them for their fight against poverty and their participation in planning process and economic development activities. The Kudumbasree Mission of Kerala serves as a microfinance programme among the women households. The members of Kudumbasree comprises the members from economically poor families,. They mobilize small amount of weekly deposits and allows small loans to the members , who are in need of money and charges a very small percentage of interest for the loans. Since kudumbasree mission of kerala functions as a parallel form of microfinance institution.*

**Key Words:** *Micro Finance, Kudumbasree, Thrift Savings, Etc.*

### **Introduction**

Micro finance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. Micro financing is not a new concept. Small microcredit operations have existed since the mid 1700s. Although most modern microfinance institutions operate in developing countries, the rate of payment default for loans is surprisingly low - more than 90% of loans are repaid. The World Bank estimates that there are more than 500 million people who have directly or indirectly benefited from microfinance-related operations. The main aim of Microfinance is to help the poor and needy people by providing small loans. The vulnerable portion of our society is women who are in need of economic empowerment. Women's economic empowerment is critical for reducing poverty and achieving broader health and development objectives. Savings can be a powerful tool for poor women to escape poverty. But low-income women often are unaware of formal savings methods and their advantages. Micro finance contribute an inevitable source for loans and an easy method of savings.

Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services, usually because of poverty. Making small loans to individuals who lack the necessary resources to secure traditional Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Microcredit is one of the aspects of microfinance and the two are often confused. Critics may attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.[2] Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance financial inclusion credit is known as microcredit.

### **Features of micro finance**

- It is a tool for empowerment of the poorest
- Delivery is normally through SHGs
- It is essentially for promoting self-employment- generally used for (a)Direct income generation and (b) Rearrangement of assets and liabilities for the household to participate
- in future opportunities (c) Consumption Smoothing
- It is just a financing system but a tool for social change specially for women
- It is mainly for the poorest.

In Kerala, right from the mid eighties of the past century, micro finance has become a key strategy for poverty alleviation and empowerment. In a sense this is blindly accepted as an effective instrument for the government schemes and solution for women empowerment. In Kerala, the catalyst behind this venture is the government machinery under the state poverty eradication mission called Kudumbasree.



### **Kudumbasree as a Women Development Programme**

Kudumbashree was started by the Government of Kerala in 1998 with the dual purpose of Women Empowerment and Poverty Alleviation. Today Kudumbashree has been transformed into a thriving social unit consisting of 2, 17, 677 neighborhood groups comprising of 38 lakhs family members, 19,773 ADS (Area Development Society) and 1072 CDS (Community Development Society). Since its implementation activities have been focused towards Economic Independence as the first step for Women Empowerment. In order to qualify as a member of the Neighborhood Group (NHG), the women's household must be "poor". For identifying a poor if it satisfies any four or more of the following nine risk factors.

1. No land or less than 5 cent of land
2. No house or dilapidated house
3. No sanitary latrine
4. No access to safe drinking water within 15 meters radius.
5. Women headed household, presence of a widow, divorce, abandoned women unwed mother.
6. No regularly employed person in the family.
7. Socially disadvantaged groups such as SC /ST
8. Presence of mentally or physically challenged person or chronically ill member in the family, and
9. Families without colour television.

### **Kudumbasree As a Microfinance Programme**

Kudumbasree is a micro finance programme and it provides an informal banking system. The action plan of Kudumbasree includes a **Thrift –credit operations and 24 hour banking system**.

It enables women to realize their potential, strengthening them through self-help. It is the main objective of Kudumbasree. Small savings generated at the families are pooled at various levels as thrift and used to attract credit from banks, which bank will operate as 24-hour for the poor, acting as a sub-system of the formal banks.

The strength of an informal bank is the intimate relationship between the members of the Self Help Group. The members know each other's potentials weaknesses and problems. The members can deposit even trifle amount in the thrift scheme of the banks. Informal bank always tried to encourage saving habit among poor women. An informal bank can provide collateral free loans with the terms and conditions decided by the group. The Self Help Group behind the informal bank is free to fix market driven rates of interest for advances. Every operation of an informal bank takes place in the group level, including depositing of thrift amounts and sanctioning of thrift loans. The groups itself decides the eligibility of a member to get assistance from the bank after discussions and assessment of the need and repayment capacity.

Women who have exceptional capacity and seek further opportunity may be invited to join Self Help or Enterprise Group [SHG] comprising similarly entrepreneurial women from other NHGs. After accumulating reasonable amount of resources as thrift from each member regularly many of these respondents would no longer be considered poor by the above criteria. If the bank is satisfied with the group in terms of 1) genuine of demand for credit 2) Credit handling capacity of the members 3) repayment behavior within the group and 4) the accounting system and maintenance of the records, the bank extends a term loan of smaller amount to the group. The promotion of income generation activities for the poor rural women is perceived as a powerful medium to resolve several socio economic problems such as reduction in poverty, provision of goods and services which are appropriate to local needs, redistribution of income and opportunities in the community etc. Thus financing through SHG's accrued benefits like..

1. Savings generated by the poor
2. Access to the required amount of appropriate credit by the poor
3. Meeting the demand and supply of the credit structure and opening of new market for financing institutions
4. Reduction in transaction cost for both lenders and borrowers
5. Tremendous improvement in recovery
6. Heralding a new realization of subsidy less and corruption less
7. Remarkable empowerment of poor women.

Above all, it builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population that formal financial institutions usually find difficult to reach.



### Importance of the study

Economic freedom is the most important tool for the women empowerment . Microfinance plays a critical role in providing loans and creating saving habits among women. This study is going to evaluate how far micro finance helps the women for their economic empowerment.

### Objectives of the study

To find out whether microfinance influences the economic development of women

### Methodology and data source

Information was collected through both primary and secondary data. Primary data were collected from Kudumbashree members of vathykudy Panchayath of Idukki District using questionnaires and direct enquiry method. Secondary data were collected from published books, reports, periodicals, websites, etc. Comparative analysis of their economic conditions were undertaken-pre -Kudumbashree and post Kudumbashree period to test whether there is change in the income level of kudumbashree members.

### Kudumbashree in Vathykudy Grama Panchayath, Idukki District

Idukki is the second largest District in the state of Kerala, it came into existence on 26<sup>th</sup> January, 1972. Vathykudy Grama Panchayath falls under the purview of Idukki Block panchayath. It has 25584 population comprising 12905 men and 12679 women.

Vathykudy Panchayath has 340 kudumbashree units of which 246 Scheduled caste units and 336 scheduled Tribe units. One unit comprises in average 15 members. Last year 2012-13 they made vegetable farming in 796.5 acre. The panchayath has 318 registered joint Liability Groups in 2012-13. The total 340 units has Rs.3.67 crore savings and 9 crore members loans. They have 54 micro units which comprises pappad making, Jewellery making, Floor mill, Nutri mix, DTP, readymade etc. and also includes cattle farms.

### Data Analysis

Data collected from members of kudumbashree of Vathykudy Panchayath are analysed hereafter. The study is aimed to know the impact of Microfinance to the kudumbashree members in the Vathykudy Panchayath. For the purpose 100 members were taken for the study. One of the peculiar feature of this sample is the 95 per cent of the workers under study are in the age group of 25 years to 35 years.

### Demographic Details of the Sample under study is depicted in Table 1

Table 1

Marital Status	
Status	Percentage of Respondents
Married	93
Unmarried	4
Divorced	3
Qualification	
Qualification	Percentage of respondents
Illiterate	5
Upto SSLC	53
Pre-degree/Plus Two	35
Graduate	5
Diploma/Other	2
Economic Status	
Category	% of Respondents
APL	11
BPL	89

The study reveals that the 93 per cent respondents are married, 4 per cent are unmarried and remaining 3 per cent are divorced.



It is revealed that 53 per cent of the respondents are up to SSLC, 35 per cent have Pre-degree or Plus two qualification and there are 5 illiterates, and 5 graduates found under this study.

The Economic status of the respondents are classified as APL and BPL and among the respondents 89 percent belongs to BPL category and APL household are 11 percent only.

### Income and Savings

The Income and Savings basis of the respondents of the survey are made clear from the Table 2 and Table 3 below.

**Table2, Annual Income and Savings (Before becoming a Kudumbasree Member )**

Annual income (in Rs.)	% of respondents	Savings (% of respondents)
<5000	76	10
5000-10000	11	0
10000-20000	11	0
>20000	2	0

Source: Survey data.

The above Table2 shows that 76 percent of the respondents are below Rs. 5000/- group , Rs.5000-10000 and Rs.10000-20000 income group comes 11 percent each and remaining 2 percent earns above Rs.20000/-. The data also reveals that only 10 percent have savings i.e. Less than Rs.5000/-

**Table 3, Annual Income and Savings (After becoming a Kudumbasree Member )**

Annual income (in Rs.)	% of respondents	Savings (% of respondents)
<5000	21	60
5000-10000	63	35
10000-20000	10	4
>20000	6	1

Source: Survey data

The above Table 3 reveals that after becoming a kudumbasree member, the income of the respondents have been increased. According to the Table, 63 percent respondents have the annual income in between Rs.5000 and Rs.10000/- , 21 per cent Less than Rs.5000/-and 10 percent is in Between Rs.10000and Rs.20000/-‘ The Table also reveals percent of respondents who have savings is increased to 60 and 35 in the categories of Rs.less than500 and In between Rs.5000 and 10000 respectively.

The income of the respondents is revealed by the above Tables and the Source of their income is presented in the following Table 4.

**Table 4, Source of Income**

Source of Income	% .of Respondents
Kudumbasree activities	96
Other Income	1
MGNREGS	3

Source: Survey data

From the study it is known that the income source of 96 percent of income earned from kudumbasree . The negligible portion of income i.e.1% and 3% are from other income and MGNREGS income respectively.

The number of respondents who were taken loan microfinance is given below.

**Table 5, Number of loaners**

Nature of loan	% of respondents
SHG loan	96
Other loan	4

Source: Survey data

From Table7 it is known that of the 96 per cents have taken loan from SHG i.e.Kudumbasree and only 4 percent has loan from other sources.



The following Table 8 deals with the expenses which are met by the respondents under the study and it analyses how far they can meet the expenses with income from Kudumbasree.

**Table 6, Expenses of Respondents**

Expenses	Satisfaction Level			
	Highly	Moderately	Very Low	Can't meet
Medical	2	14	27	22
Schooling	8	7	30	20
Food	26	25	10	4
Clothing	20	26	13	6
General	18	24	18	5
Repayment of loan	2	30	10	2

Source: Survey data

❖ Numbers in columns are percentages

It is known from Table 6, the expenses taken for the study are common expenses to a house hold. Some of the primary expenses like food, clothing and other small general expenses can be met with their income. It is not sufficient to meet in full. By considering Schooling and medical expense, their income is insufficient to meet them.

### Findings

- Most of the members are of SSLC/PDC Qualifications.
- Majority of the members are BPL families
- The annual income and savings are increased due to Kudumbasree
- The major portion of the household expenses can be met by their income

### Conclusion

Kudumbasree income contributed a major part of the family income, Economic independence or freedom is possible through this income earning capacity women. It will contribute fruitful reflections in family atmosphere. The Micro finance can change the attitude and activities of women. It will lead to the Women Empowerment and self reliance. If we take more initiatives for the microfinance organisations, it will make a great change in the economic scenario of the nation.

### References

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